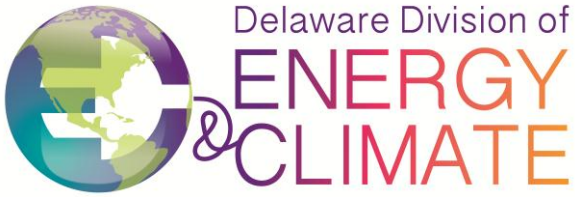
Delaware Energy Efficiency Investment Fund

Program Guidelines and Operational Procedures

July 2014



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1.0 Purpose

The purpose of these guidelines is to prescribe procedures relating to the Energy Efficiency Investment Fund. It is the goal in establishing these guidelines to provide a streamlined procedure for administering and distributing program funds.

These guidelines provide rules of practice and procedure for grant applications and disbursement of grants for energy efficiency projects in Delaware.

2.0 Statutory Authority

These guidelines are disseminated under authority of 29 Delaware Code, Section 8030.

3.0 Energy Efficiency Investment Fund Statute and Appropriation

The Delaware 146th General Assembly enacted and Governor Markell signed into law Senate Bill 129 which amended Title 29, §8030 and Title 30 §5502 of the Delaware Code to establish the Energy Efficiency Investment Fund. The State shall transfer in each fiscal year the first $5,000,000 in tax receipts received under Title 30 Chapter 55 that would otherwise be deposited to the General Fund to the Energy Efficiency Investment Fund maintained by the Department of Natural Resources and Environmental Control (DNREC) pursuant to Chapter 80 of Title 29.

The Energy Efficiency Investment Fund promotes the use of energy efficient technologies by Delaware non-residential (commercial and industrial) customers that pay the state public utility tax on their electric and/or natural gas utility bill.

4.0 Delaware Energy Efficiency Investment Fund

4.1 General Provisions

All grants are on a first-come first-served basis. In no event shall the Fund provide grant funding for more than 30 percent of the total costs of any proposed project nor support projects already receiving support from the Green Energy Fund under this chapter or the Strategic Fund under subchapter I-B of Chapter 50, Title 29 the Delaware Code.

Equipment must be new, purchased, and installed before the grant payment can be issued. Both payment and commitment of grant are subject to availability of program funds.

4.1.1 Program Limits

The Fund will not pay more than 30 percent of the total Custom project cost shown on the invoice and projects will not exceed $500,000 without written approval of the Director.

Prescriptive incentive projects have incentive levels based on incremental cost of the measure upgrade. Prescriptive program incentives will not pay more than 30 percent of the total project cost.

Energy Assessment Grants will not fund any energy audit or feasibility study greater than 50 percent of the audit/study cost and not to exceed $10,000 per facility.

No company can receive more than $1,000,000 in incentives within a three year period.

4.2 Eligibility

The Delaware Energy Efficiency Investment Fund Program is available to non-residential, commercial, industrial, and non-profit entities that pay the Delaware Public Utility Tax on electric and/or natural gas utility bills.

All applications are subject to pre-installation and/or post-installation inspections at the discretion of DNREC.

4.3 Permits

All Energy Efficiency Investment Fund projects must obtain all relevant permits from DNREC and all other necessary state, local, regional, and federal permits to be considered for an application.

4.4 Installing Contractor Guidelines

4.4.1 Education and Licensure

Installing contractors shall maintain appropriate education and licenses, industry certificates and accreditations to ensure that only professionally designed systems are installed within the program. The installing contractor must be licensed in the State of Delaware.

Where industry certification programs have been promulgated, grant recipients are encouraged to use industry certified contractors.

4.4.3 Insurance Requirements

The installing contractor and anyone acting under its direction or control or on its behalf shall at its own expense procure and maintain in full force at all times Commercial General Liability Insurance with a bodily injury and property damage combined single limit of liability of at least ONE MILLION DOLLARS ($1,000,000) for any occurrence.

4.4.4 Statement of Reliability and Good Standing

Contractor must be reliable and in good standing with a “Satisfactory Record” (or no negative reports) with the Better Business Bureau. The contractor shall provide a copy of their Better Business Bureau report to DNREC upon request. Reports may be obtained at the following address.

BBB of Delaware
60 Reads Way
New Castle, DE 19720
Phone: (302) 221-5255

Fax: (302) 221-5265
Web Site: www.delaware.bbb.org
Email: info@delaware.bbb.org

4.4.5 Limitation of Funds

The Program funds are limited. The installing contractor shall follow program guidelines to ensure reservation of funds prior to installing a qualifying system, if applicable. DNREC will provide notice if program funds are close to being exhausted for the fiscal year.

4.5 Warranty

All qualifying systems receiving an Energy Efficiency Investment Fund grant must have a full 3-year warranty against component failure, malfunction and premature output degradation. The warranty must cover all components for which the program incentive is granted and cover the full cost of repair and replacement of all components of the system. For professionally installed systems, the warranty must cover the labor to remove and replace defective components and systems.

DNREC neither expressly nor implicitly warrants the performance of installed equipment. Participants should contact their contractor for details regarding the equipment warranties.

4.6 Code Compliance

All qualifying systems must be installed in accordance with the standards and specifications of the manufacturers of the components in the system, in compliance with all federal, state, and local safety, building and environmental codes and ordinances and these guidelines. Where discrepancies, if any, exist with these guidelines and local codes, local codes shall govern.

All equipment must be tested to Underwriters Laboratory ("UL") standards and be UL listed and installed per manufacturer's instructions.

5.0 Delaware Energy Efficiency Investment Fund

There are several funding avenues available to Delaware businesses tailored to differing needs and resources. There is a prescriptive energy efficiency grant option where a business may engage a contractor or otherwise install specified efficiency equipment and be guaranteed a prescribed grant according to a set incentive amount. There is also the customized option geared for businesses with more unique or complex energy efficiency projects. The two-prong approach of a prescriptive and custom path provides a more direct, relatively easier prescriptive approach that allows smaller businesses a viable path to participate, while also providing a more appropriate vehicle for larger and more complicated projects to maximize energy efficiency opportunities. Additionally, there is an energy audit option for businesses needing more assistance in planning for efficiency. The three options are as described in detail below.

5.1 Prescriptive Path Grants

Nonresidential customers of any size are eligible for prescribed measures. Prescribed

measures contain technologies where energy savings can be predicted with reasonable accuracy across all applications. The technologies currently eligible for the program include: lighting equipment and controls, high efficiency commercial gas heating equipment, hot water heaters, and vending misers.

The program may modify or expand the list of eligible measures under the prescriptive grant path at any time. DNREC will notify applicants of the change on the website and update and published materials.

5.1.1 Prescribed Grant Limits

Subject to availability of funds, the Efficiency Investment Fund offers grants for the following prescribed products installed by qualified contractors for a qualifying customer:

Lighting and controls
Heating Equipment
Domestic Hot Water
Vendor Miser

All projects require pre-approval and are subject to a post-installation inspection.

5.1.2 Accepted Products and Equipment

The following are not eligible for a Prescriptive grant:

- Routine maintenance procedures
- Other restrictions as deemed appropriate by DNREC

The following list details the products and equipment eligible for a grant under the Energy Efficiency Investment Fund.

Lighting
All products must meet the technical requirements listed on the Prescriptive Application Form for Lighting and Lighting Controls to be eligible for rebate.

All products must be UL listed and be installed according to local building codes.

Indoor Occupancy Controls
Includes both ultrasonic and infrared-based devices. Devices must control a minimum of 75 watts to be eligible.

All products must meet the technical requirements listed on the Prescriptive Application Form for Lighting and Lighting Controls to be eligible for rebate.

Interior Daylight Controls
All products must meet the technical requirements listed on the Prescriptive Application Form for Lighting and Lighting Controls to be eligible for rebate.

Exterior Lighting Controls

All products must meet the technical requirements listed on the Prescriptive Application Form for Lighting and Lighting Controls to be eligible for rebate.

Heating Equipment
All products must meet the technical requirements listed on the Prescriptive Application Form for Natural Gas Heating and Water Heating Equipment to be eligible for rebate.

Water Heating Equipment
All products must meet the technical requirements listed on the Prescriptive Application Form for Natural Gas Heating and Water Heating Equipment to be eligible for rebate.

Vending Machine Miser
All products must meet the technical requirements listed on the Prescriptive Application Form for Vending Miser to be eligible for rebate.

5.1.3 Application Process

Confirm that the proposed energy efficiency measure (EEM) qualifies for an incentive based on the program requirements. Submit a completed and signed EEIF Prescriptive Grant Application form with copies of the manufacturer's technical specification sheets (cut sheets) for each type of EEM to be purchased. A pre-approval letter will be issued by DNREC to the applicant.

After receipt of the completed Application and any required supplementary documentation, DNREC will evaluate the project for consideration of grant pre-approval. The contractor and customer are fully responsible for ensuring that all forms and documentation have been supplied and the system meets all program requirements. DNREC may conduct an inspection of the systems prior to final grant approval.

DNREC will review the grant application within 10 business days of receipt of the application package and all supporting documentation. After completing the review of the application and notify the applicant of award or in some cases to schedule an inspection.

DNREC will process the grant within 60 days of the approval date. DNREC will ordinarily process the payment to the purchaser, however, if the purchaser so requests in writing and documentation reflects the grant value was reduced directly from the purchase price, DNREC will process the payment to the retailer or installing contractor.

5.1.3.1 Application Requirements

Applications must be completely and accurately submitted before incentives can be paid.

Additional information may be requested upon review of initial proposal as

deemed appropriate by DNREC.

5.2 Custom Path Grants

The custom path grant option is designed to encourage non-standard energy-efficiency measures and measures not listed in the prescriptive path grants above or prescribed measures bundled into a comprehensive full-facility upgrade that maximizes energy savings and cost effectiveness. Custom grant paths allow for more comprehensive, unique and creative solutions to projects that are more complex than the prescribed program offers.

The customized incentives are based on incremental cost, calculated energy and demand savings of retrofit projects, cost effectiveness, and are limited by total project cost. This option allows for the greatest flexibility and creativity in design by providing an incentive on a facility wide scale or on targeted assessments that save energy. The projects qualifying under this program are generally more complex and aggressive measures that permanently raise the efficiency levels of standard equipment.

5.2.1 Grant Limits

Subject to the availability of funds and the per business limit, a custom grant path must propose a project offering an annual energy savings. The grant will be paid at a rate of $0.12 per kilowatt-hour saved and $5/mmbtu, up to 30 percent of installed cost, whichever is less. Program funds are limited and must be reserved prior to completing the project to ensure availability.

Typically, the savings generated by these custom measures are site and end use specific and require a detailed analysis to qualify for an incentive. Recognizing this, DNREC reserves the right to require a detailed system design and a predicted performance calculation verified by a Professional Engineer (P.E.) on 100 percent of proposed projects.

5.2.2 Accepted Products and Equipment

All projects that are considered energy efficiency measures may be eligible to receive a custom path grant. Examples of possible improvements over baseline include:

- Building envelope
- Steam / boiler improvements
- Process heat recovery
- Combined heat and power (CHP)
- Compressed air improvements
- Chillers
- Variable Speed Drives
- Heating Ventilation and Air Conditioning improvements

The following are not eligible for the custom path grant:

- Routine maintenance procedures
- Renewable energy generation (e.g. wind, geothermal, solar, etc.)
- Projects with less than a 6 month simple payback

- Industrial technologies not approved by nationally recognized laboratories
- Power conditioning/ power factor equipment
- Equipment studies
- Projects with less than 1.0 benefit cost ratio
- Other restrictions as deemed appropriate by DNREC

5.2.3 Application Process

Applications for the custom path must receive approval from DNREC prior to beginning the project. A statement of reservation of funds and authorization to proceed will be issued by DNREC upon acceptance as a custom project. DNREC reserves the right to pre-inspect all facilities requesting a custom path grant.

Funds will be reserved for 12 months on a first-come, first-served basis. The final grant claim form and supporting documents shall be submitted within the 12 months of the reservation date or funds will be forfeited. If the claim form is not received at the end of the 12-month reservation period, a milestone accomplishments report will be submitted to DNREC or the reservation will be forfeited. DNREC will determine if a reservation extension should be granted.

After completing the project, the applicant must submit the final documentation pertaining to the project. DNREC will evaluate the project and the required accompanying documents for consideration of grant approval. A post-installation site visit may be required and DNREC reserves the right to inspect all facilities prior to grant payment.

DNREC will process the grant within 60 days of receipt of the Application Package and all supporting documentation or 30 days after a scheduled inspection if required. DNREC will ordinarily process the payment to the purchaser, however, if the purchaser so requests in writing and documentation reflects the grant value was reduced directly from the purchase price, DNREC will process the payment to the retailer or installing contractor.

5.2.4 Application Requirements

In addition to the completed application form, proposals for grants under the custom path grants should include the following to be considered complete:

- Copy of the customer's last 12 months of electric bills from a regulated or non-regulated electric supplier
- Documentation of the savings calculations and cost estimates
- Specification sheets with equipment performance ratings
- Project schedule including detailed milestones
- Additional information upon review of initial proposal as deemed appropriate by DNREC

5.2.5 Application Review

Application Received:

Contractor or applicant submits the project application to DNREC. The application and date received is logged into the tracking spreadsheet and a review is scheduled.

Application review:
DNREC reviews the application and energy calculations for completeness. If there is any missing information, or if anything is needed in order to accurately estimate the energy savings from the project, DNREC will follow up with the applicant. The program manager may also decide the application needs additional study or metering data to be confident in the estimates, and may notify the applicant to request additional information or a site visit. Depending on the additional information required, there may be additional program funds available for these activities under the Energy Assessment grants opportunity.

Pre-Installation Site Visit:
DNREC will conduct a pre-installation site visit on approximately 10 percent of projects, in order to ensure that the installation has not yet begun and that baseline conditions were accurately described in the application. During the site visit, DNREC may also collect information to enable it to accurately calculate savings. If the application provided adequate information, the site visit may be deferred until after the pre-screening. This will ensure that DNREC does not spend time visiting a project that does not pass the Total Resource Cost (TRC) test.

Project Pre-screening and Incentive calculation:
If a project site visit is not required, the project will be pre-screened based on the actual cost of the project and the savings provided by the applicant and verified by the program manager. If the project does not pass the initial screen, the program manager will notify the applicant. The applicant may choose to modify the project or lower the cost in an attempt to move the project along. Once the modified project information is received by DNREC, pre-screening will be performed again using this updated information.

The incentive award calculation will be based on the pre-screen results.

Pre-Qualification Grant Letter:
If the project passes the pre-screen, the applicant will be sent a pre-qualification letter that reserves the grant amount for not more than 12 months (and not more than 24 months for CHP projects). The letter will also include a disclaimer that the grant award cannot be guaranteed if there are changes in scope or cost.

The applicant is responsible for submitting the final documents once the project is installed and completed.

Post-Installation Site Visit
A post-installation site visit may be necessary due to minor changes in scope as a project proceeds from design to completion and to ensure that the final savings

estimates reflect the project as installed, rather than the project as designed. These site visits will be performed on a sample of project sites.

Final Screening
Once the final costs and project specifications are submitted to DNREC, a final screening is performed using the measure screening tool. This will ensure that the program records reflect the actual site conditions. If the scope of the project changed enough to significantly lower savings and/or make the project fail the TRC, DNREC may elect to adjust the incentive amounts.

Grant Payment
Once the project passes the final screening, the grant is ready to be disbursed to the applicant. DNREC will send a letter notifying the applicant of payment approval and will record the payment information in the Payment Summary sheet.

5.3 Energy Assessment Grants

For businesses in need of technical assistance to evaluate their facility for cost effective energy efficient upgrades, grants are available to help with the cost of the audit, feasibility study and project design. Energy Assessment grant funding is limited. Funding must be reserved prior to beginning the audit or study to ensure funding availability.

5.3.1 Grant Limits

The Energy Assessment grants will pay up to 50 percent of the cost of the proposed audit per facility up to $10,000 or up to $20,000 per organization with two or more facilities.

5.3.2 Accepted Audits

5.3.2.1 Single Purpose or Targeted Energy Audit

Single purpose or a targeted energy audit will provide a detailed analysis on one or more types of projects. Included but not limited to a focused analysis on lighting, energy management systems, variable speed drives, boiler/chiller replacements, thermal energy storage systems, energy generation, or a combination of these projects.

5.3.2.2 Comprehensive Audit

A comprehensive energy audit will provide a detailed analysis of a facility and potential project. The audit will include the interactive effects of the projects and account for the energy use of all major equipment while providing detailed energy cost saving calculations and installed project cost. Comprehensive audits typically use computer models such as DOE-2, Trane/Trace or equivalent packages to simulate building and equipment operations based on weather, equipment set points and hours of operation.

Recognizing that a comprehensive audit evaluates all major energy using systems, the audit will include an implementation plan for the facility upgrades. Systems eligible for a comprehensive audit include but are not limited:

- Building envelope
- Lighting
- Domestic hot water
- HVAC and controls
- Combined heat and power

The audit must comply with ASHRAE Level II audit requirements.

Grants will be calculated at the following rates not exceeding the limits noted in 5.3.1 and subject to the approval of audit report sent to DNREC.

- 50% or $5,000 whichever is less for first 50,000 square feet
- 50% or $5,000 whichever is less for first 50,000 square feet then $0.03 per square foot over 50,000 square feet.

5.3.3 Application Process

Applications for the Energy Assessment grant option shall submit Part 1 of the application and the winning audit proposal to DNREC and receive approval prior to beginning the project. A statement of reservation of funds and authorization to proceed will be issued by DNREC upon acceptance of Part 1 application.

Upon receipt of the completed study and all final documentation pertaining to the project, DNREC will evaluate the project for grant payment. The contractor and customer are fully responsible for ensuring that all forms and documentation have been supplied and the proposal meets all program requirements.

In addition to the requirements in Section 5.3.2, proposals for Energy Assessment grants must include the following:

5.3.3.1 Completed Application Form Part 1 and appropriate audit proposal.
5.3.3.2 Copy of the customer's last 12 months of electric and natural gas bills.
5.3.3.3 The Energy Study Report shall include all requirements needed for the Prescribed and Customized grants including the following:

1. Executive Summary
2. Technical Information and Analysis
    a) Description of the project and proposed energy saving measures
    b) Base case information
    c) Enhanced case information
    d) Estimated energy and demand savings associated with your proposed project
    e) Any applicable figures and tables
    f) Simple payback period and/or life cycle costs
    g) Estimated costs including design, materials, and installation
3. Conclusions and Recommendations

a) Findings and key points summarized
b) Recommendations should be evaluated separately and combined in the enhanced case

4. Appendix
   a) Engineering assumptions and supporting information
   b) Building data and plans
   c) Cost assumptions
   d) Publication information for each source cited in the "Technical Information" section of your report
   e) Listing of the publication title, author, place of publication, page numbers, and date of publication

DNREC will process the grant within 60 days of receipt of the Application Package and all supporting documentation.

6.0 Proprietary Application Information

DNREC may make all applications submitted available to non-State personnel for the sole purpose of assisting in its evaluation of the applications. These individuals will be required to protect the confidentiality of any specifically identified proprietary information obtained as a result of their participation in the evaluation.

Proposals submitted may contain trade secrets and/or privileged or confidential commercial or financial information which the applicant does not want to be used or disclosed for any purpose other than evaluation of the application. The use and disclosure of such data may be restricted, provided the applicant follows DNREC's "Request for Confidentiality" procedure contained in DNREC's "Freedom of Information Act" or "FOIA" regulation. It is important to understand that this FOIA regulation's confidentiality procedure is a necessary part of this regulation in that any information submitted to DNREC is subject to public review unless deemed to be confidential by the Secretary in accordance with the criteria and procedures established in the FOIA regulation.

The burden lies with the applicant asserting the claim of confidentiality to meet the criteria established in the FOIA regulation.

7.0 Retirement and Disposal

The intent of the Energy Efficiency Investment Fund is to increase energy efficiency through retirement and replacement of inefficient equipment. The customer and contractor shall appropriately retire and dispose of any product replaced as a result of an Energy Efficiency Investment Fund grant.

The customer is responsible for the proper disposal or recycling of any waste generated as a result of the project, including the disposal of fluorescent lamps (which contain mercury) and ballasts suspected of containing PCBs. Any fluorescent ballast dated pre-1979 should be considered to contain PCBs unless otherwise labeled.

8.0 Dispute Resolution

Should an applicant be denied a grant and disagrees with outcome, the applicant must contact DNREC in writing. DNREC will respond within 10 days after the determination. Should DNREC deem the application eligible, the application will be processed within the next 10 business days.

9.0 Tax Liability

The applicant is responsible for any tax liability imposed as a result of the payment of grants. Applicants are advised to contact your tax professional for more information.